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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

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COUNTRY Germany (Russian Zone)

DATE:

SUBJECT State-Owned Enterprises in Saxony-Anhalt:
Budget and Management Difficulties;
Transfer of Plants to Local Government
Administration

DIST. X January 1948 25X1A

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PAGES 2

SUPPLEMENT

ATTACHMENTS: 3

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1. In the budget for 1947-1948, the net proceeds estimated for the Industrie-Werke was twenty-five million RM. Before the end of the first quarter, however, the SMA demanded, through the Ministry of Finance that the Ministry of Economy of Saxony-Anhalt make partial payments on this sum. In the investigation which ensued, it was determined that the Industrie Werke figure had been set far too high and that instead of the anticipated profit, there would probably be a deficit the state would have to make up. The budget had been established at the following amounts:

Receipts from Industrie Werke from the Budget for 1947-1948

Group 2	Power	250,000 RM
Group 4	Metallurgy	125,000 RM
Group 6	Electro-technical	2,525,000 RM
Group 7	Chemistry	8,625,000 RM
Group 8	Wood	75,000 RM
Group 10	Paper and cellulose	1,725,000 RM
Group 11	Light industry	1,925,000 RM
Group 12	Staple and luxury foods	9,750,000 RM
Total		25,000,000 RM

2. To correct some of the problems of management and remedy some of the difficulties of the Industrie Werke, SMA Halle issued Order No. 94 [REDACTED]. The Ministry of Economy and Trade and several other government representatives held a conference on [REDACTED] with representatives of SMA Halle (Colonel Rudyonov, Lt. Colonel Ptencov, Lt. Colonel Ranyevski, and Ptukhin, head of the SMA Finance Division) to discuss the provisions of the new order. The following interpretations were arrived at:

- a. On Point 1, to annul the rights of former owners and transfer enterprises entirely to state ownership; if the state holding in the firm was more than ten percent, the firm should be turned over completely to state ownership; if less than ten percent, the firm should be returned to its owner.

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Where the entire firm was expropriated, politically cleaned share holders were to receive compensation; all fully expropriated enterprises became part of the Industrie Werke.

- b. On Point 2, withdrawal from the Industrie Werke supervision of firms under SVA sequestration or foreign ownership. SVA was to present to the Ministry of Economy and Trade [REDACTED] a list of the 65 firms under SVA sequestration. Firms not belonging to Soviet ACs are divided into three categories: those belonging to Industrie Werke and administered by it; those under SVA or showing more than fifty percent foreign capital, administered by the Ministry of Economy and Trade; and private enterprises.
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- c. On Point 3, withdrawal from Industrie Werke and transfer to a city or Kreis of firms significant only for the city or Kreis. [REDACTED] was set as the terminal date. The firms were to remain legally the property of the state, but full responsibility for management of the business and full control of the profits were transferred to the local administration.
- d. On Point 5, strengthening of the direction and supervision of the Industrie-Werke, the order was to be interpreted qualitatively and not quantitatively.
- e. On Point 6, removal of former owners, political purging was to follow Directive 24 and former owners were to be moved out promptly. Directors of Industrie-Werk, firms were to be selected and contracts signed with them where this had not already been done.
- f. On Points 7 and 8, supervision and control of Industrie-Werke finances, the Ministry of Finance was to check on all state-owned and community-owned enterprises, beginning with Industrie-Werke firms, including supervision of production and financial plans for the year and the quarter. Plans agreed upon jointly by the Ministries of Finance and Economy were to be then submitted to the cabinet quarterly for confirmation. Final responsibility was to rest upon the Ministry of Economy, but the Ministry of Finance was to act as controlling agency.
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- g. In addition, a government commission to investigate the financial and industrial activities of the Industrie Werke was to function between [REDACTED] under the direction of the Ministry of Trade and Supply, but reporting also to the Ministries of Economy and Finance.
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Comment: The texts of Order No. 94 and of the executive decree based upon it were published in earlier reports.

3. [REDACTED] the cabinet of Saxony-Anhalt voted unanimously to carry out Order No. 94 and submitted their motion to the presidium of the Landtag for approval. The executive decree and cabinet resolution were submitted to SVA on 11 August. The presidium, however, [REDACTED] refused to approve. There was some discussion with Minister of Economy Dieker as to whether the cabinet should withdraw its motion or the executive decree should be published in the official gazette, with SVA approval, over the Landtag veto.
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4. A list of firms to be turned over to local government administration was to be submitted to SVA on [REDACTED]. Ministerialdirektor Brundert received a preliminary list on 9 August and forwarded it to SVA on the following day, showing ten firms already under local control and 165 firms which were to be transferred. An additional list was submitted by the evaluating commission on [REDACTED]
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Comment: A summary of these lists appears as Attachment A. 25X1A

5. The government commission to investigate the Industrie Werke was established and began its work early in August. It was divided into three sub-committees, under the chairmanship of Ministerialdirektor Brundert:

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- a. Committee for questions of accounting and profit -- Finance Minister Dr. Milkowski, Ebeling, of FDGB
- b. Committee for questions of finance and credit -- Director Guilland of the Landesbank, Beyer of the Ministry of Economy
- c. Committee for questions of personnel and organization -- Cetisch of FDGB, Collin of the Ministry of Economy

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Comment: An excerpt from the report of the commission appears as Attachment B.

A correction of the number of enterprises removed from the Industrie-Werke as under SVA sequestration appears as Attachment C.

ATTACHMENT A

Summary of Industrie-Werke Enterprises to be transferred to the administration of local city or Kreis governments, democratic organizations, and companies.

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Industrie-Werke of Saxony-Anhalt	Halle/Saale			
Industry Group	Total transferred	Cities Kreise	to Democratic organizat.	Companies
2 Power	7	7	-	-
4 Metallurgy	2	2	-	-
5-6 General machine construction	23	21	1	1
7 Chemistry	11	11	-	-
8 Wood	15	15	-	-
9 Construction	48	47	-	1
10 Printing	1	1	-	-
11 Light industry	10	10	-	-
12 Staple and luxury foods	74	17	48	9
13 Sugar	1	1	-	-
14 Traffic	3	3	-	-
Total	195	135	49	11

ATTACHMENT B

Excerpt from the Report of the Government Commission for Investigation of the financial and economic activities of the Industrie-Werke firms

The net proceeds amounted to: 1946, 4th quarter -- 3,944,124 loss
 1947, 1st Quarter -- 593,565 loss
 1947, 2nd Quarter -- 1,355,876 profit

The losses were caused by: 1) Lack of coal and raw materials
 2) Insufficient prices
 3) Consequences of dismantling and reconstruction

A surplus of 25 million RM should have come from the 1947-1948 budget. If the Industrie-Werke is considered as a whole, there is in contrast a surplus of 1.5 million. In consequence of the incorrect entry for productiveness of the Industrie-Werke, in the budget of 1947-1948 a deficit of about 15 million is to be expected.

the number of employees is 37,885, of whom 68.64 percent are laborers and the remaining 11.16 percent office personnel. The total number of firms according to the status of 4 August 1947 is 351.

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The intermediate balance of [REDACTED] shows the following picture: 25X1A

Property assets	277,694
Stock	99,013
Claims	88,793
Liquid assets	45,002
Other circulating assets	24,482
Value compensation items (Wertausgleichsposten)	309,199
Total of Assets	844,583
Mortgages and long-term debts	27,718
Bank debts	68,484
Delivery obligations	17,933
Other obligations	87,576
Real capital	642,871
Total of Liabilities	844,583

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ATTACHMENT C

Industrie-Werke of Saxony-Anhalt Halle, [REDACTED]
Chief direction, A-6 Economic Planning and Organization

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List

of former armament firms of the Province of Saxony-Anhalt under
sequestration, submitted to Chief Director Dr. Fritze on [REDACTED]
1947 by SMA Halle through Lt. Colonel Ptenzov

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Situation on [REDACTED]

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1. IG Farbenindustrie, Frose
2. IG " Bitterfeld
3. IG " Aken
4. IG " Teutschenthal
5. Riebeckmontanwerke Halle/Saale
6. " Werk Ellen, Draschwitz, Kreis Zeitz
7. " Werk Concordia, Nachterstedt, Kreis Quedlinburg
8. " Velpke, Kreis Haldensleben
9. Deutsche Sprengchemie AG, Werk Klietz, Kreis Jerichow II
10. Fabrik zur Verwertung chemischer Erzeugnisse GmbH, Güsen, Kreis Jerichow II
11. Lokomotiven-Reparaturwerkstatt "Brandenburger Eisenwerk" GmbH, Kirchmöser, Kreis Jerichow II
12. Maschinenbau und Armaturenfabrik "Louis Strübe," Magdeburg
13. Junkers Flugzeug- und Motorenwerke, Magdeburg
14. Zink-Fabrik "Georg von Giesche's Erben," Magdeburg
15. Artillerie-Mülsenfabrik Polte, Magdeburg
16. Benzinwerk "Brabag," Braunkohlen-Benzin A.G., Magdeburg
17. Flugzeugwerk "Ago," Oschersleben
18. Junkers Flugzeug- und Motorenwerke, Schönebeck
19. Sprengstoffwerk "Lipnose," Schönebeck
20. Jagdpatronenfabrik Sellier u. Bellot, Schönebeck
21. Leichtmetallwerk "Rudolf Rautal," Wernigerode
22. Flugzeugwerk "Arado," Wittenberg
23. Werk Moschwitz AG Deutsche Sprengchemie, Moschwitz
24. Westfälische Sprengstoffgesellschaft "Wasag," Wittenberg
25. Gummiwerk AG "Elbe," Wittenberg (Klein-Wittenberg)
26. Westfälisch-Anhaltische Sprengstoffgesellschaft "Wasag" (no location given)
27. Schiffbau "Gebr. Sachsenberg," Rosslau
28. Junkerswerk, Leopoldshall
29. " Bernburg
30. Werk J.F. Eisfeld GmbH Silberhütte, Harzgerode
31. Papierfabrik "Junkers," Muldenstein
32. Kalichemie Werk Litterfeld, Bitterfeld
33. Junkers Flugzeugwerk, Aken
34. " " Stassfurt
35. Junkerswerk Dessau
36. Junkers Motorenwerk Köthen

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27. AG "Solvay" Schacht "Plönnitz," Bernburg
 38. Deutsche Grube Elisabeth II AG, Nücheln Stöbnitz
 39. Bayerische Motorenwerke Schacht Nr. 7, Neustassfurt
 40. Braunschweigische Gruben- und Elektrizitätswerk, Harbke Elmstedt
 41. Werk Friedrich Krupp AG, Loburg, Kreis Jerichow I
 42. Silbermetallwerk, Silberschmelzhütte (Silva), Magdeburg
 43. Auto- und Motorenwerk, "Famo," Schönebeck
 44. Wehrmachtofen 9/10, Naphtha Distillation, Elbingerode
 45. Eisengiesserei "Ilsewerk," Ilsenburg
 46. Armaturenfabrik "Dinglerwerke," Ilsenburg
 47. Metallbearbeitungswerk Oswald Kunsch, Silbitz, Kreis Zeitz
 48. Deutsche Erdöl AG, Zipsendorf, Kreis Zeitz
 49. Maschinenbau Franz Braun, Zerbst
 50. Grube Gewerkschaft "Gute Hoffnung," Rossbach
 51. Kohlenschacht Elisabeth, Nücheln
 52. AG Transavia, Nietleben
 53. AG Deutsche Grube, Ammendorf
 54. Kriegswerk AG Hasag, Schlieben
 55. Werk Junkers GmbH Harzgerode-H. desprung
 56. Flugzeugwerk Junkers, Moschwitz (Teppichfabrik Pouch-Moschwitz)
 57. Grube Leopold AG, Bitterfeld-Holzweissig
 58. Schacht Ludwig II Stassfurt, Stassfurt
 59. Schacht Leopold, Bessau-Köthen-Edderitz
 60. Elektrowerk (Electric supply in Mansfelder Bergrevier AG, Factory
 Direction Klostermansfeld), Mansfeld
 61. Siebel Reparaturwerkstatt, Schkeuditz
 62. Deutsche Erdöl AG, Beuna
 63. Solvay-Werke, Westeregeln
 64. Braunkohlenschacht Gewerkschaft Leonhardt, Neumarkt-Geiseltal
 65. Mitteldeutsche Stahlwerke Lauchhammer, Lauchhammer

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Appendix 1

Industrie-Werke of Saxony-Anhalt Halle,
Chief Direction, A-6 Economic Planning and Organization

25X1A In the list of SMA Halle of [REDACTED] consisting of 65 enterprises under sequestration, there are the following 34 sequestered enterprises which are included in the Industrie-Werke.

1. Deutsche Sprangchemie AG, Werk Klietz, Klietz, Krs. Jerichow II
 2. Fabrik zur Verwertung chemischer Erzeugnisse GmbH, Güsen
 3. Brandenburger Eisenwerke GmbH, Kirchmöser, Krs. Jerichow II
 4. Junkers Flugzeug- und Motorenbau, Magdeburg
 5. Georg von Giesche's Erben, Hüttenverwaltung Magdeburg, Magdeburg
 6. Polte, Magdeburg
 7. Brabag-Braunkohle-Benzinwerk Magdeburg, Magdeburg
 8. Flugzeugwerk Ago, Oschersleben
 9. Junkers Flugzeug- und Motorenbau, Schönebeck
 10. Lignose Sprengstoffwerke GmbH, Schönebeck
 11. Jagdpatronen- und Metallwarenfabrik AG, Schönebeck
 12. Rudolf Rautenkranz GmbH, Schönebeck
 13. Rautenkranzwerke GmbH, Wernigerode
 14. Arado Flugzeugwerke GmbH, Wittenberg
 15. Deutsche Sprengchemie AG, Werk Moschwitz, Moschwitz, Krs. Wittenberg
 16. Gummiwerk "Elbe" AG., Klein-Wittenberg/Elbe
 17. Gebr. Sachsenberg AG, Rosslau, Kreis Zerbst
 18. Junkers Flugzeug- und Motorenwerke AG Leopoldshall, Stassfurt-Leopolds
hall
 19. J.F. Eisfeld GmbH, Silberhütte, Kreis Ballenstedt
 20. Papierfabrik AG, Muldenstein, Kreis Bitterfeld
 21. Kalichemie AG, Werk Bitterfeld, Bitterfeld
 22. Junkers AG, Aken, Kreis Calbe
 23. Junkers AG., Stassfurt
 24. Junkers und Co., Dessau

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25. Junkers Flugzeug- und Motorenwerke AG, Köthen
26. AG "Solvay" Schacht Plötznitz, Bernburg
27. Ilsewerk, Ilsenburg, Kreis Wernigerode
28. Deutsche Erdöl AG, Zipsendorf, Kreis Zeitz
29. Junkerswerke, Magdeburg
30. Flugzeugwerk Junkers, Moschwitz, which Industrie-Werke in their list of sequestered firms designates as:
Teppichfabrik Pouch, Pouch, Kreis Bitterfeld
31. Grube Leopold AG, Bitterfeld
32. Grube Leopold AG, Edderitz, Kreis Dessau-Köthen
33. Elektrowerk, Mansfeld, designated in the Industrie-Werke list of sequestered firms as:
Elektrizitätsversorgung in Mansfelder Bergrevier AG, Factory
Direction Klostermansfeld, Halle/Saale
34. Solvay-Werke, Westeregeln, designated in the Industrie-Werke list of sequestered firms as:
Deutsche Solvaywerke, Alkaliwerke Westeregeln, Westeregeln,
Kreis Haldensleben

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Appendix 2

Industrie-Werke of Saxony-Anhalt Halle,
Chief Direction, A-6, Economic Planning and Organization

25X1A In the list of SMA Halle of [REDACTED] of enterprises under sequestration, there are the following firms which according to the order of SMA Halle of [REDACTED] were turned over to German local governments and which the Industrie Werke considers state-owned enterprises:

25X1A 1. Maschinenbau und Armaturenfabrik "Louis Strube," Magdeburg
returned on [REDACTED] under No. 35.

25X1A 2. Bayerische Motorenwerke Schacht No. 7, Neustassfurt
returned on [REDACTED] under No. 29

25X1A 3. Braunschweigische Gruben- und Elektrizitätswerke, Marbke-Nelstedt
returned on [REDACTED] under No. 20

25X1A 4. Werk Friedrich Krupp AG, Loburg, Kreis Jerichow I
returned on [REDACTED] under No. 34

25X1A 5. Silvametallwerk Magdeburg
returned on [REDACTED] under No. 37

25X1A 6. Auto- und Motorenwerk "Famo," Schönebeck
returned on [REDACTED] under No. 31 (Fahrzeugwerke Schönebeck)

25X1A 7. Wehrmachtsofen Elbingerode
returned on [REDACTED] under No. 32

25X1A 8. Armaturenfabrik Dinglerwerke, Ilsenburg
returned on [REDACTED] under No. 41

25X1A 9. Maschinenbau Franz Braun, Zerbst
returned on [REDACTED] under No. 30

25X1A 10. Kohlenschacht Elisabeth, Nüchtern
returned on [REDACTED] under No. 2, 3, and 4

25X1A 11. Transavia AG, Niedersen
returned on [REDACTED] under No. 38

25X1A 12. Nasag AG, Schlieben
returned on [REDACTED] under No. 38

25X1A 13. Schacht Ludwig II, Stassfurt
returned on [REDACTED] under No. 61

25X1A 14. Siebel-Reparaturwerkstatt, Schkeuditz
returned on [REDACTED] under No. 27

25X1A 15. Deutsche Erdöl AG Beuna
returned on [REDACTED] under No. 13

25X1A 16. Mitteldeutsche Stahlwerke Lauchhammer, Lauchhammer
returned on [REDACTED] under No. 26

In addition we consider state-owned enterprises, although SMA Halle still designates them as sequestered.

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17. Grube Gewerkschaft "Gute Hoffnung," Rossbach, belonging to the former Michelkonzern, which is state-owned.
18. Braunkohleinschacht Gewerkschaft Leonhardt, Neumarkt (Geiseltal), belonging to the former Michelkonzern, which is state-owned.

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Appendix 3

Industrie-Werke of Saxony-Anhalt Halle,
Chief Direction, A-6, Economic Planning and Organization

In the list of SVA Halle of [REDACTED] of the 65 firms held in sequestration, there are the following firms which because of their IG-Farben property fall under Control Council Law No. 9 and thus are not administered by the Industrie-Werke.

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1. IG Farbenindustrie, Frose
 2. IG " Litterfeld
 3. IG " Aken
 4. IG " Teutschenthal
 5. Riebeck-Montanwerke, Halle/Saale
 6. " " Werk Ellen, Draschwitz, Kreis Zeitz
 7. " " Werk Concordia, Nachterstedt, Kreis Quedlinburg
 8. " " Völpke, Kreis Haldensleben
 9. Westfälische Sprengstoffgesellschaft Wasag, Wittenberg
 10. Westfälisch Anhaltische Sprengstoffgesellschaft, Coswig
 11. Deutsche Grube, Elisabeth 2, Mücheln-Stöbnitz
 12. Deutsche Grube A.G., Ammendorf

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In addition, in the SMA Halle list of [REDACTED] is named

13. Metallbearbeitungswerk Oswald kunsch, Silbitz, Kreis Zeitz, which the Industrie Werke considers a Soviet AG.

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